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Can the Trend of Rural Population Decline Be Reversed?

by Georgeanne Artz, Younjun Kim and Peter F. Orazem

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IN 1900, Iowa's rural population was just shy of 1.7 million, with almost three-fourths residing on farms or in small towns. However, with the exception of the 1990s, Iowa's rural population has declined in every census over the last 110 years, as shown in Figure 1. By 2010, only 36% of Iowans remained in rural areas.

Numerous policies have been proposed to stem the decline of Iowa's rural population. Over the past decade, these have included fostering rural entrepreneurship, promoting rural manufacturing, beautifying town centers, and expanding rural broadband. While any of these might have some positive impacts, it is difficult to believe that they will reverse the century-long rural-to-urban population shift.

The prominent question is not what can be done to reverse the rural population decline, but rather, thus far, what has allowed Iowa to maintain so much of its rural population compared to other states? Iowa is the 12th most rural state in the country, and in contrast, Nebraska is the 23rd most rural state. Despite having a land mass that is 99.2% rural, 73% of Nebraska's population lives in urban areas, compared to Iowa's 64% urban population.

With a population of 4,192, Adams County is the least populous county in Iowa; however, 33 of Nebraska's 93 counties have a population less than that of Adams. In Iowa, 50% of the population lives in the 12 largest counties, however 50% of Nebraska's population lives in only three counties. Iowa has 36 counties with populations of at least 20,000, representing 75% of its entire population; in contrast, Nebraska has only 17 counties with populations of at

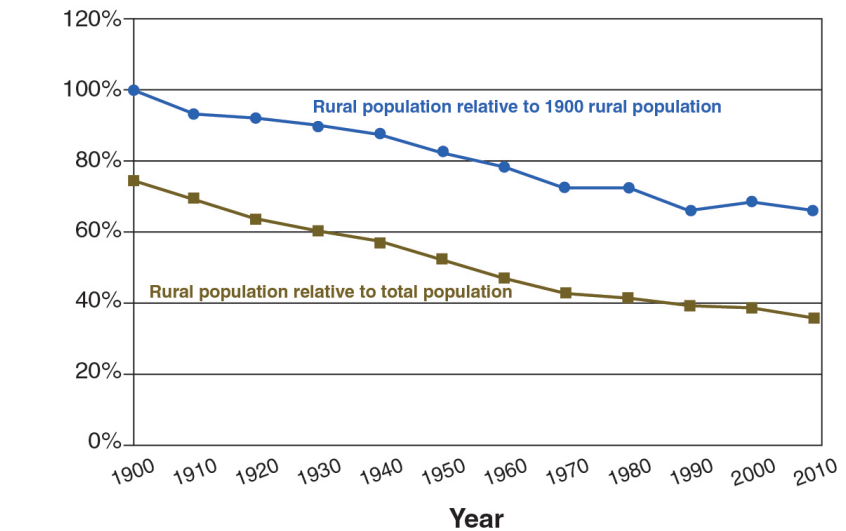


Figure 1: Iowa rural population, 1900–2010

least 20,000, representing 76% of its entire population.

The reason Iowa can sustain a more rural population than can Nebraska is the larger number and broader distribution of metropolitan areas (cities of at least 50,000). Whereas Nebraska has only four metropolitan areas (Lincoln, Grand Island, Sioux City, Omaha), all of which are in the far eastern part of the state, Iowa has nine metropolitan areas broadly distributed around the state, including two shared with Nebraska. Nebraskans wanting to take advantage of the 20% wage premium paid in urban labor markets have to live in or near one of the four metropolitan areas. In contrast, the distribution of metropolitan areas in Iowa places about 90% of the population within a 45-minute commute of an urban labor market. As a result, almost three-fourths of residents of towns with populations under 2,500 commute to another town for work. Iowa's small towns are surviving compared to those in Nebraska because small town

Iowans can access the higher urban wages while taking advantage of the lower cost of living available in small towns.

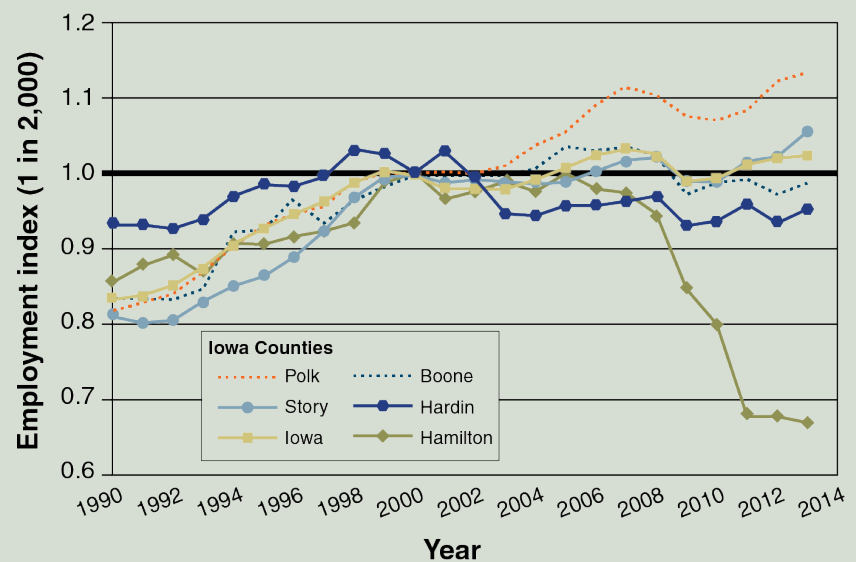
A wealth of research has documented that urban firms have significant advantages over rural firms in terms of productivity, infrastructure, proximity to customers, access to financing and educated labor, and other so-called agglomeration economies, which has allowed faster growth than rural firms despite higher land and labor costs. These advantages are not new—economist Alfred Marshall wrote about the advantages of urban firms in 1890, about the time Iowa's rural population reached its historic peak.

So what does Iowa need to do to preserve competitive small towns? We need to continue fostering growth in urban markets and ensure that we have good commuting roads from metropolitan areas to surrounding small towns. Research done at Iowa State has shown that job growth in one county leads to population growth in a

two county radius. It was also found that agglomeration economies are important for new firm entry even in rural areas, meaning local labor centers such as Carroll can attract firms, and small towns within a two-county radius can rely on Carroll for jobs. Findings also suggest that access to high-speed internet attracts new firm entry when the community is within close distance to an urban market. Therefore, efforts to bring high-speed internet to remote towns will have a smaller impact on job growth—firms still need to be close to their customers, or at least close to a FedEx or UPS hub. (The largest shipper of live lobsters in the world is in Louisville, KY because it is a hub for UPS.)

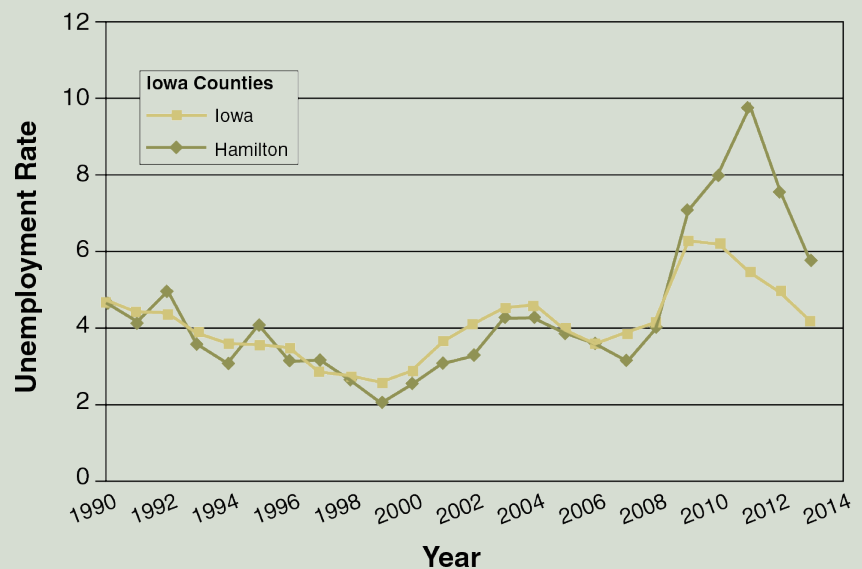
Not all rural Iowa towns are doing well—some have suffered severe firm, employment, and population losses; however, the most disadvantaged are all too great a distance from an urban market. Even as small towns face future firm losses their recovery and survival will increasingly depend on the ability to access an urban labor market. As an example, the closing of the Electrolux plant in Webster City had a huge impact on employment in all of Hamilton County, as shown in Figure 2. While other counties near Hamilton County, and Iowa as a whole, have experienced some employment growth or else just modest declines, Hamilton County lost one-third of its jobs over 10 years. Since the Electrolux plant closing jobs have continued to leave Hamilton County—the unemployment rate, which had never been high relative to the state level, surged to 10% by 2011.

Since 2011, however, the Hamilton County unemployment rate has come down sharply to 5.3%. The number of Hamilton County residents employed increased by 7% in 2013, even though job loss has continued (Figure 3). The reason? Displaced workers in Hamilton County have found jobs in neighboring counties, especially in the surging Story County



Source: www.iowaworkforce.org/lmi/empstat/msanonag.htm

Figure 2: Employment growth in Iowa and Central Iowa counties, 1990–2013



Source: www.iowaworkforce.org/lmi/empstat/msanonag.htm

Figure 3: Unemployment rates in Hamilton County and the State of Iowa, 1990–2013

labor market. Without the availability of jobs in Story and Polk counties, many more Webster City residents would have had to move to find work.

Iowa's rural and urban politicians are often at odds regarding economic development strategies, with rural politicians viewing urban employment growth as a threat. In fact, the growth of Iowa's urban job centers has meant the survival of small Iowa towns more than any programs aimed at creating jobs in rural towns. ■

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